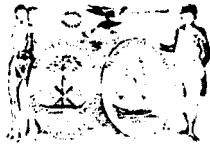


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

November 19, 2001

Mr. Francis M. Feltham, President
Fane Management
1200 Talisman Drive
Post Office Box 6277
North Augusta, South Carolina 29841

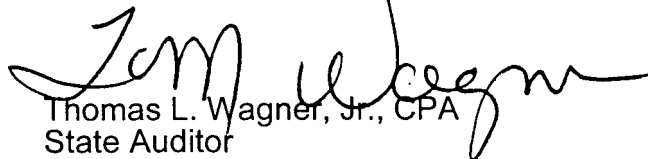
Re: AC# 3-AMM-J8 – Feltham Management Company
d/b/a Anne Maria Nursing Home

Dear Mr. Feltham:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**FELTHAM MANAGEMENT COMPANY
D/B/A ANNE MARIA NURSING HOME
NORTH AUGUSTA, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 1999
AC# 3-AMM-J8**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 2, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Feltham Management Company d/b/a Anne Maria Nursing Home, for the contract period beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

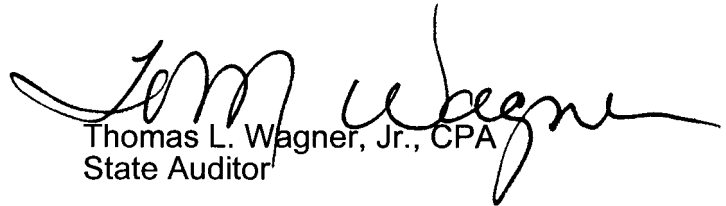
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Feltham Management Company d/b/a Anne Maria Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report and Summary of Costs and Total Patient Days sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Feltham Management Company d/b/a Anne Maria Nursing Home dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
February 2, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

**FELTHAM MANAGEMENT COMPANY
D/B/A ANNE MARIA NURSING HOME**

Computation of Rate Change
For the Contract Period
Beginning October 1, 1999
AC# 3-AMM-J8

10/01/99-
09/30/00

Interim reimbursement rate (1)	\$95.88
Adjusted reimbursement rate	<u>94.34</u>
Decrease in reimbursement rate	\$ <u><u>1.54</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

**FELTHAM MANAGEMENT COMPANY
D/B/A ANNE MARIA NURSING HOME**

Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-AMM-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$44.89	\$50.88	
Dietary		8.67	9.69	
Laundry/Housekeeping/Maint.		<u>6.06</u>	<u>8.24</u>	
Subtotal	\$ <u>4.82</u>	59.62	68.81	\$59.62
Administration & Med. Rec.	\$ <u>.91</u>	<u>10.65</u>	<u>11.56</u>	<u>10.65</u>
Subtotal		70.27	<u>\$80.37</u>	70.27
<u>Costs Not Subject to Standards:</u>				
Utilities		2.14		2.14
Special Services		1.61		1.61
Medical Supplies & Oxygen		5.82		5.82
Taxes and Insurance		1.79		1.79
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$81.65</u>		81.65
Inflation Factor (3.00%)				2.45
Cost of Capital				7.25
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				.91
Cost Incentive				4.82
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.98)
CNA Add-On				.75
Nurse Aide Staffing Add-on				<u>.49</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$94.34</u>

**FELTHAM MANAGEMENT COMPANY
D/B/A ANNE MARIA NURSING HOME**
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-AMM-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,131,920	\$ -	\$ 5,232 (3)	\$2,126,688
Dietary	410,850	-	-	410,850
Laundry	76,830	-	-	76,830
Housekeeping	145,154	-	-	145,154
Maintenance	65,242	-	-	65,242
Administration & Medical Records	522,150	-	17,546 (1)	504,604
Utilities	101,539	-	-	101,539
Special Services	76,072	-	-	76,072
Medical Supplies & Oxygen	292,534	-	16,824 (2)	275,710
Taxes and Insurance	116,599	-	31,856 (4)	84,743
Legal Fees	773	-	-	773
Cost of Capital	<u>343,499</u>	<u>-</u>	<u>-</u>	<u>343,499</u>
Subtotal	4,283,162	-	71,458	4,211,704
Ancillary	173,909	16,824 (2)	-	190,733

**FELTHAM MANAGEMENT COMPANY
D/B/A ANNE MARIA NURSING HOME**

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1998
AC# 3-AMM-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Non-Allowable	1,735,914	17,546 (1) 5,232 (3) <u>31,856 (4)</u>	-	1,790,548
Total Operating Expenses	\$ <u>6,192,985</u>	\$ <u>71,458</u>	\$ <u>71,458</u>	\$ <u>6,192,985</u>
Total Patient Days	<u>47,379</u>	<u>-</u>	<u>-</u>	<u>47,379</u>
Total Beds	<u>132</u>			

**FELTHAM MANAGEMENT COMPANY
D/B/A ANNE MARIA NURSING HOME**

Adjustment Report
Cost Report Period Ended September 30, 1998
AC# 3-AMM-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Administration To reclassify working capital interest HIM-15-1, Section 202.2 State Plan, Attachment 4.19D	\$17,546	17,546
2	Ancillary Medical Supplies To reclassify x-ray expense to the proper cost center State Plan, Attachment 4.19D	16,824	16,824
3	Nonallowable Nursing To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D	5,232	5,232
4	Nonallowable Taxes and Insurance To disallow mortgage insurance applicable to nonallowable borrowing HIM-15-1, Section 202.2 and 2304 State Plan, Attachment 4.19D	31,856	31,856
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$71,458</u>	<u>\$71,458</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

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